

Message Text

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ACTION EA-06

INFO OCT-01 SS-14 ISO-00 NSCE-00 EB-04 SP-02 DOE-01

SOE-01 OES-02 INR-05 CIAE-00 NSAE-00 TRSE-00

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 669

C O N F I D E N T I A L JAKARTA 10614

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: PERTAMINA AND CALTEX DISCUSS DISCOUNTS FOR MINAS CRUDE

1. PERTAMINA PRESIDENT HARYONO HAS INFORMED EMBASSY THAT PERTAMINA AND CALTEX ARE HOLDING SECRET DISCUSSIONS CONCERNING POSSIBLE DISCOUNTING OF MINAS CRUDE SOLD THROUGH CALTEX SYSTEM. HARYONO SAID CALTEX IS ASKING FOR \$1.00 PER BARREL DISCOUNT IN RETURN FOR COMMITMENT TO MARKET FULL MINAS PRODUCTION.

2. HARYONO AND MINISTER SUBROTO ARE IN FAVOR OF ALLOWING CALTEX \$1.00 PER BARREL FOR DISCOUNT ON MINAS CRUDE SOLD THROUGH CALTEX SYSTEM TO THE WESTERN HEMISPHERE FOR A PERIOD OF SIX MONTHS. THIS WOULD PRODUCE \$73 MILLION SHORTFALL TO PERTAMINA COMPARED WITH NORMAL MARKETING OF SIMILAR QUANTITIES. FINANCE MINISTER WARHANA IS OPPOSED TO THE CALTEX PROPOSAL AND BOTH SUBROTO AND WARDHANA ARE PREPARING LETTERS STATING THEIR RESPECTIVE POSITIONS TO WIDJOJO, WHO HARYONO HOPES CAN DECIDE THE ISSUE IN THE U.S. NEXT WEEK.

3. HARYONO BELIEVES CALTEX IS DRIVING A HARD BARGAIN BUT THAT PERTAMINA HAS LITTLE CHOICE BUT TO AGREE. WITHOUT AGREEMENT, HARYONO SAID INDONESIA WOULD HAVE
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TO SHUT IN AT LEAST 100,000 BARRELS A DAY OF PRODUCTION AND THAT CALTEX WOULD DELAY ITS \$78 MILLION SECONDARY RECOVERY PROGRAM IN THE MINAS FIELD. HARYONO THINKS THE PSYCHOLOGICAL IMPACT OF SUCH A DELAY WOULD BE ADVERSE AND MIGHT SIGNIFICANTLY REDUCE SOME COMPANIES' EXPLORATORY PLANS. HARYONO ADDED PERTAMINA COULD CUSHION REVENUE LOSS BY DISCOUNTING MINAS LESS THAN A DOLLAR A

BARREL IN THE JAPANESE MARKET; BUT THIS COULD ONLY BE
DONE OPENLY, OPENING A PANDORA'S BOX WITH OTHER CRUDE
PURCHASERS AND OPEC.

4. ANTICIPATING A GO AHEAD FROM WIDJOJO IN WASHINGTON
HARYONO HAS ASKED CALTEX INDONESIA'S MANAGING DIRECTOR,
HAROEN AL RASJID, TO MEET HIM IN NEW YORK AUGUST 6 WHERE
HARYONO WANTS TO FINALIZE AGREEMENT WITH CALTEX.
GARDNER

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